



# State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor  
Theodore K. Nickel, Commissioner

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July 20, 2011

The Honorable Timothy F. Geithner  
Secretary of the Treasury  
Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, DC 20220

The Honorable Ben S. Bernanke, Chairman  
c/o Ms. Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551

The Honorable Shaun L.S. Donovan  
Secretary of Housing and Urban Development  
c/o Regulations Division  
Office of General Counsel  
Department of Housing and Urban Development  
451 7th Street, SW, Room 102876  
Washington, DC 20410-0500

The Honorable Mary L. Shapiro, Chairman  
c/o Ms. Elizabeth M. Murphy, Secretary  
Securities and Exchange Commission  
100 F Street N.E.  
Washington, DC 20549-1090

Mr. John G. Walsh  
Acting Comptroller of the Currency  
Office of the Comptroller of the Currency  
250 E Street S.W., Mail Stop 2—3  
Washington, DC 20219

Mr. Edward J. DeMarco, Acting Director  
c/o Mr. Alfred M. Pollard, General Counsel  
Federal Housing Finance Agency  
1700 G Street, NW, Fourth Floor  
Washington, DC 20552

Mr. Martin J. Gruenberg, Acting Chairman  
c/o Robert E. Feldman, Executive Secretary  
Federal Deposit Insurance Corporation  
550 17th Street, N.W.  
Washington, DC 20429

## Re: Comments

Office of the Comptroller of the Currency: Credit Risk Retention, Docket No. OCC-2011-0002  
Board of Governors of the Federal Reserve System: Docket No. R—1411  
Securities and Exchange Commission: File Number S7-14-11  
Federal Housing Finance Agency: Comments/RIN 2590—AA43  
Department of Housing and Urban Development: Credit Risk Retention/Docket No. FR-5504-P-01

Dear Ladies and Gentlemen:

On behalf of Wisconsin's Office of the Commissioner of Insurance, I appreciate the opportunity to comment upon the proposed rules implementing the Credit Risk Retention and Qualified Residential Mortgage provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The following information is in response to inquiry #112(a) and #151 among the requests for comment, which read:

112(a). If the proposed QRM criteria were adjusted for the inclusion of mortgage guaranty insurance or other types of insurance or credit enhancements, what financial eligibility standards should be incorporated for mortgage insurance or financial product providers and how might those standards be monitored and enforced?

151. If any new underwriting standards for residential mortgages were to be established and permit the inclusion of mortgage guaranty insurance or other types of insurance or credit enhancements, what financial eligibility standards should be incorporated for mortgage insurance or financial product providers?

Congress did not intend to override state insurance regulation under the Dodd-Frank Wall Street Reform and Consumer Protection Act. Title V of the Act created a Federal Insurance Office with limited powers and Title X, which created the Bureau of Consumer Protection, expressly placed insurance products outside the jurisdiction of that Bureau. Instead, Congress encouraged a system of higher level oversight in the form of insurance representation on the Financial Stability Oversight Council and the Federal Insurance Office.

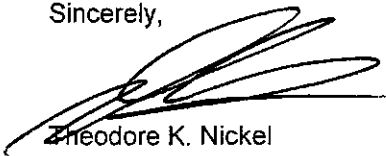
The establishment of separate federal financial and other regulatory requirements upon mortgage guaranty insurers for the purpose of implementing the credit risk retention provision is neither necessary nor desirable. The federal agencies should look to the state insurance regulatory and supervisory framework for substantive standards and enforcement of those standards with respect to private mortgage guaranty insurance. State insurance regulators have the skills and knowledge to monitor the financial and operational integrity of insurers licensed in their jurisdictions. The effective and ethical use of the discretionary powers held by a state insurance regulator is essential to maintaining public confidence.

The National Association of Insurance Commissioners (NAIC) will continue to act as a coordinating body for formulating and updating insurance regulation, including an ongoing comprehensive view of solvency regulation. The accreditation program of the NAIC is designed to encourage states to maintain insurance departments with laws, staffing, procedures, and institutional independence adequate to achieve oversight worthy of public confidence.

What has evolved through state regulation is a network of differing laws that is strong, focused and effective. The great strength of state-based regulation is that it permits a diversity of approach and perspective based upon each state's knowledge of its own market, thereby limiting harm caused by a company's ineffective management performance and providing a quick and effective response. While the domiciliary state regulator has the principal role with respect to the insurers under his jurisdiction, each insurer is subject to the judgments of the regulator in each state in which it does business. The realities of the private mortgage insurance industry are such that these insurers must be licensed in all, or very nearly all, of the states and territories of the United States. The diversity of approaches and perspectives inherent in state-based regulation at the very least prevents unscrupulous insurers from exploiting insureds in all jurisdictions with equal facility.

I appreciate your consideration of this matter and my comments. Should you or any member of your staff have any questions with regard to our views, please contact Steve Junior, Insurance Examiner Supervisor on my staff, at (608) 267-4388.

Sincerely,



Theodore K. Nickel  
Commissioner